Interim report at 30 September 2008

international metal service

INTERIM FINANCIAL REPORT AT 30 SEPTEMBER 2008

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I. INTERIM ACTIVITY REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2008

IMS pursued its profitable growth strategy in the third quarter of 2008 despite the difficult environment:

- The financial crisis led to a sharp fall in the stock markets. The IMS share price stood at €12.20 at 30 September 2008, representing a fall of 53% since 1 January 2008. The share price had moved back up to €13.80 by 31 October, containing the fall to 47% since the start of the year, a better performance than other distributors (BE Group -61%, Kloeckner -58%) or steel producers (Schmolz & Bickenbach -74%, ArcelorMittal -62%);
- This decline in share price partly reflects expectations of a contraction in economic activity, which has already happened in the construction and automobile sectors. Thanks to its very broad spread of customer sectors, IMS has a greater degree of resilience than more exposed distributors.

At 8 September 2008, Jacquet Metals announced that its holding in IMS had gone above the 2.5% statutory threshold. At 18 September, it issued a statement on its website saying that it intended to "integrate [IMS] within the group and organise it according to its own business model". At 17 October 2008, Jacquet Metals owned 19.48% of IMS. The Supervisory Board and Executive Committee of IMS are opposed to this approach, which is aimed at taking advantage of particularly volatile stock market conditions to establishing rampant control of IMS, without paying the shareholders a control premium. In the absence of a relevant business plan, this investment is considered ill-judged and does not create value. The Supervisory Board therefore decided to use all means in its power to defend the interests of the company and its shareholders, and has tasked the Executive Committee, assisted by its advisory banks, with assessing all alternatives available to the company. The Executive Committee has not ruled out any option as long as it is in the company's interest and maximises value for IMS shareholders.

Third quarter results were in line with the Group's expectations, both in terms of activity and profitability.

- In engineering and wear resistant steels, the Group introduced the expected price increases in France, Italy and Spain, resulting in record gross margins per tonne. All in all, gross margins therefore remained high, although volumes distributed were lower than in 2007. The negative volume effect compared to the third quarter of 2007 was partly due to the decision to raise prices and partly to the wait-and-see attitude of the markets, ahead of the expected decline in activity. For the nine months to 30 September, volume growth came to 2.4% for wear resistant and 4.2% for engineering steels;
- As expected, organic growth resumed in stainless steels. Volumes expanded by 3.5% in the third quarter, boosted by the end of the inventory rundown after four straight quarters of falling nickel prices, as well as a favourable base for comparison relative to the third quarter of 2007. Selling prices continued to fall, reflecting trends in alloy prices and particularly nickel, which remains on a downward path.

With operating costs per tonne up 2.8% on a comparable basis, IMS was unable to completely offset the increase in transport and consumables costs (up 17% on a comparable basis). Operating margin adjusted for windfall profit/loss and other non-recurring items reached 6.8% at 30 September 2008, down from 7.8% one year earlier. The third quarter performance was slightly better than the previous year, with an adjusted operating margin of 6.6% (equating to a consolidated operating margin of 5.1%) versus 6.3% for the third quarter of 2007 (equating to a consolidated operating margin of 3.0%).

After adding back factoring to the working capital requirement, the IMS Group generated free cash flow of €7.2 million in the first nine months of 2008, compared with a €(15.5) million cash outflow in the same period of 2007. Debt (after adding back factoring) rose from €216.1 million at 30 June 2008 to €269.7 million at 30 September 2008, due to a temporary increase in inventories (August being a typically weak month in France, Italy and Spain) and to a decrease in tax payable in the quarter.

1. INTERIM FINANCIAL STATEMENTS - GENERAL PRINCIPLES

□ Accounting standards

In accordance with European regulation 1606/2002 of 19 July 2002 on international standards, the IMS Group's condensed consolidated financial statements comply with the IAS/IFRS standards as approved by the European Union and available at
http://ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission.

The accounting policies applied for the nine months ended 30 September 2008 are identical to those applied for the 2007 full-year IFRS financial statements.

The condensed interim financial statements have been drawn up in accordance with IAS 34.

New texts or amendments adopted by the European Union since 1 January 2008 (IFRIC 11 -- Group and Treasury Share Transactions) do not have any material effect on the consolidated financial statements at 30 September 2008.

The Group did not carry out early application of non-mandatory standards or interpretations from 1 January 2008, such as IAS 1 (Presentation of Financial Statements - capital management), IAS 23 (Borrowing Costs), IFRS 8 (Operating Segments), IFRIC 13 (Customer Loyalty Programmes), IFRS 3 as amended (Business Combinations), IAS 27 as amended (Consolidated and Separate Financial Statements), IFRS 2 as amended (Share-based Payment, purchase and cancellation terms) and IAS 32 as amended (Financial Instruments: Presentation - puttable instruments).

There was no change in estimates during the period liable to affect the 2007 financial statements. Contingent assets and liabilities have not changed since end-2007.

□ Timetable for financial statement approval and reporting

The Group's condensed consolidated financial statements at 30 September 2008 were approved by the Executive Committee at 6 November 2008. At 6 November 2008 after the market close, the Group published a press release commenting on its activity and results at 30 September 2008.

□ Change in scope of consolidation between 1 January and 30 September 2008

During the first quarter of 2008, IMS strengthened its position in the Italian tool steels and wear resistant markets with the acquisition respectively of Comacciai (4,800 tonnes distributed) and Venturi (5,000 tonnes sold per year). It also strengthened its presence in the Spanish engineering steels market with the acquisition of Diclacero (1,500 tonnes distributed per year).

During the second quarter of 2008, IMS acquired stainless steel distributor Antera based in Lithuania and Latvia (€10 million in sales, 2,500 tonnes distributed) and French engineering tube distributor ATR (€3.5 million in sales, 1,900 tonnes distributed). The acquisition of French company Euralliage, which distributes non-ferrous metals (mainly aluminium and copper) to engineering companies, was completed at 1 July 2008. Euralliage generates annual sales of €9 million and has a distribution volume of 1,500 tonnes.

Lastly, in early September 2008, IMS acquired French company EMS, which distributes engineering steels, aluminium and stainless steels, mainly to engineering companies. EMS generates annual sales of €12 million and has a distribution volume of 9,500 tonnes.

At 27 June 2008, IMS sold 100% of Astralloy Steel Products Inc. to ArcelorMittal Steel Solutions & Services US. The proceeds from this divestment were affected by the dollar's sharp slide against the euro, and almost no gain was realised. Astralloy Steel Products Inc. was consolidated in the Group's financial statements until 30 June 2008, contributing sales of $21.6 million (5,147 tonnes distributed) and operating profit of $2.2 million. This divestment completes IMS' move to focus on distributing special steels in Europe, which began in 2005.

Changes in the scope of consolidation in the first nine months did not result in a change of more than 25% in sales or total assets, and so do not require IMS to publish pro forma consolidated financial statements for 2007 reflecting the impact of acquisitions made in the first nine months of 2008 as if they had taken place at the start of 2007. However, to facilitate the comparability of data, comments in this document will relate to pro forma figures when necessary.

The impact of these acquisitions on the consolidated income statement at 30 September 2008 was as follows:

- Comacciai: this company was consolidated from 1 February 2008 and generated sales of €3.9 million. Goodwill relating to this acquisition totalled €2.7 million.
- Venturi: this company was consolidated from 1 February 2008 and generated sales of €7.1 million. Goodwill relating to this acquisition totalled €1.8 million.
- Diclacero: the size of this company is not significant relative to the Group, and so no specific reporting is carried out.
- Antera: this company and its subsidiary were consolidated from 15 April 2008, and generated sales of €2.8 million. Provisional goodwill relating to this acquisition totalled €3.3 million.
- ATR: this company has generated sales of €1.1 million since 1 June 2008. Provisional goodwill relating to this acquisition totalled €0.9 million.
- Euralliage: this company has generated sales of €1.8 million since 1 July 2008. Provisional goodwill relating to this acquisition totalled €3.2 million.
- EMS: this company has generated sales of €0.9 million since 1 September 2008. Provisional goodwill relating to this acquisition totalled €0.6 million.

☐ Changes in consolidated shareholders' equity

A dividend of €19.2 million (i.e. €1.10 per share, excluding treasury shares) was paid to the shareholders at 16 May 2008.

Apart from purchases and sales under the liquidity agreement, IMS bought 290,636 of its own shares in the first nine months of 2008 for €5.5 million, giving an average cost of €18.77 per share. In addition, 3,225 treasury shares were sold for €0.1 million when stock options, granted under plans initiated before 2004, were exercised.

2. INTERIM MANAGEMENT REPORT

2.1 Activity

Sales totalled €1,127.4 million in the first nine months of 2008, an increase of 3.6% year-on-year, but down 3.4% at constant scope.

The breakdown of sales by product line was as follows:

(in thousands of euros)	**Q3 2007**	**Q3 2008**	**30 September 2007**	**30 September 2008**
Stainless	186,885	156,511	569,243	506,461
Wear resistant	39,054	41,882	132,558	159,025
Engineering	102,453	112,860	341,276	396,800
Others *	11,866	25,196	45,246	65,111
Total	340,258	336,449	1,088,323	1,127,397

(in tonnes)	**Q3 2007**	**Q3 2008**	**30 September 2007**	**30 September 2008**
Stainless	30,920	32,439	96,136	103,908
Wear resistant	21,440	21,386	76,937	84,867
Engineering	77,577	77,532	269,964	290,520
Others *	11,552	18,381	45,464	47,269
Total	141,489	149,738	488,501	526,564

* Direct mill business sales in all product lines are now reported under "Others", in addition to sales of non-ferrous metals. 2007 figures have been adjusted accordingly.

Volume, price and scope effects in each product line were as follows:

Q3 2008/ Q3 2007	Volume effect	Price effect	Constant scope	Change in scope	Actual scope
Stainless	+3.5%	-20.6%	-17.1%	+0.9%	-16.2%
Wear resistant	-4.9%	+6.6%	+1.7%	+5.5%	+7.2%
Engineering	-1.5%	+10.9%	+9.4%	+0.7%	+10.1%
Others *	n.a.	n.a.	n.a.	n.a.	n.a.
Total	+3.0%	-5.8%	-2.8%	+1.7%	-1.1%

30 Sept. 2008/ 30 Sept. 2007	Volume effect	Price effect	Constant scope	Change in scope	Actual scope
Stainless	-0.6%	-18.5%	-19.1%	+8.1%	-11.0%
Wear resistant	+2.4%	+7.1%	+9.5%	+10.5%	+20.0%
Engineering	+4.2%	+7.8%	+12.0%	+4.3%	+16.3%
Others *	n.a.	n.a.	n.a.	n.a.	n.a.
Total	+1.5%	-4.8%	-3.4%	+7.0%	+3.6%

* Direct mill business sales in all product lines are now reported under "Others", in addition to sales of non-ferrous metals. 2007 figures have been adjusted accordingly.

- **Stainless**:

- The volume effect for the nine months to 30 September 2008 remained slightly negative, although there was a reversal of trend in the third quarter, with a positive volume effect of 3.5% versus -2.3% in the first quarter and -2.8% in the second. Third quarter volume growth was driven by a favourable base for comparison, as volumes in the third quarter of 2007 were affected by the beginning of an inventory rundown, whilst inventory building during the first and second quarters of 2007 had led to double-digit volume growth.

- The price effect reached -18.5% at the end of September, having been amplified in the third quarter due to the fall in alloy prices, and particularly nickel. Expressed in euros per tonne, average nickel prices were down 43% relative to the third quarter of 2007 and 23% relative to the second quarter of 2008.

Quarterly average nickel price (€/t)	
Q1-07	31,523
Q2-07	35,626
Q3-07	21,961
Q4-07	20,158
Q1-08	19,282
Q2-08	16,424
Q3-08	12,621

After a period of relative stability in the second quarter of 2008, the average stainless steel selling price fell back to €4,825 per tonne in the third quarter of 2008 versus €4,892 in the previous quarter and €6,044 in the third quarter of 2007 (storage and distribution business only). The windfall loss in the third quarter of 2008 was estimated at €6.3 million, which, added to the €6.1 million loss in the first half, takes the total for stainless steels to €12.4 million at 30 September 2008.

Although methods for setting stainless steel prices vary between countries and products, they mainly involve a basic steel price and an alloy surcharge calculated on the delivery date. For IMS, this alloy surcharge is usually calculated by averaging observed prices in months m-2 and m-3. The alloys concerned are chromium, molybdenum and above all nickel. The estimated third quarter windfall loss is therefore based on the difference between the average nickel price in the first quarter of 2008, which mainly determines inventory values at 30 June 2008, and the average nickel price in the second quarter of 2008 used to determine the alloy surcharges billed in the third quarter.

- Changes in scope had a positive impact of 0.9% on the stainless business in the third quarter of 2008. For the nine months to 30 September 2008, the scope effect was 8.1%. The scope effect includes Cotubel group sales up to 31 May 2008 (integrated in the Group's organic growth as of 1 June 2008), and the sales of Antera's Lithuanian and Latvian companies, which amounted to €2.8 million at 30 September 2008 (740 tonnes sold).

- **Wear resistant:**

- As was the case for engineering steels, average selling prices continued to rise in the third quarter, reaching €1,958 per tonne, versus €1,812 and €1,881 respectively in the first and second quarters of 2008 and €1,822 in the third quarter of 2007. The estimated windfall profit of €0.5 million in the third quarter of 2008 (vs. €0.3 million in the second) was due to the early introduction of selling price increases, before price rises affected the Group's purchases.

- Volumes contracted by 4.9% in the third quarter of 2008, after expanding by 5.8% and 4.8% in the first and second quarters. In stable markets, this decline in volumes was due to the Group's commercial policy of introducing price increases at the expense of volumes. All in all, the volume effect came to 2.4% for the nine months to 30 September 2008.

- The 10.5% scope effect at 30 September 2008 was driven by growth from acquisitions made in 2007 (Produr, France) and 2008 (Venturi, Italy), net of the impact of the divestment of Astralloy Steel Products Inc. in June 2008 (1,400 tonnes of wear resistant steel sold in the third quarter of 2007).

o **Engineering**:

- Engineering steel volumes contracted by 1.5% in the third quarter of 2008, after expanding by 7.4% and 5.8% respectively in the first and second quarters. The volume effect for the first nine months of 2008 was therefore 4.2%. In zero-growth markets, this slight decline in volumes was once again due to the Group's policy of preserving margins in a period of rising prices. This policy resulted in an estimated windfall profit of €1.9 million in the third quarter of 2008, higher than the estimated €1.3 million profit recorded in the second quarter. For sole engineering steels (excluding tool steels), the average selling price was €1,394 per tonne in the third quarter of 2008, versus €1,263 and €1,281 in the first and second quarters of 2008 and €1,245 in the third quarter of 2007 (storage and distribution business only).

- The 4.3% scope effect in the first half of 2008 was mainly due to the acquisition of Brescia Acciai at 1 July 2007. The scope effect in the third quarter reached 0.7%, due entirely to acquisitions made in 2008 (Comacciai in February, ATR in June and EMS in September). For the nine months to 30 September, these acquisitions added about 3,300 tonnes and €5.5 million of sales, which was partially offset by the deduction of Astralloy Steel Products Inc.'s business in the third quarter of 2007 (500 tonnes of engineering steels).

Driven by strong growth in volumes and an active acquisition policy, Italy contributed 20% of Group sales at 30 September 2008 compared with 18% one year earlier, whilst Germany's contribution fell from 24% to 21% due to the fall in stainless steel selling prices. However, Germany was still the Group's biggest market due to the adverse seasonal effect on business in Southern Europe during the third quarter. The sharp increase in sales in Benelux was the result of the Cotubel acquisition at 1 June 2007. Lastly, the fall in sales of "Other" (excluding Europe) reflects the Group's divestment of its North American subsidiary at end June 2008.

	30 September 2007		*30 September 2008*	
	(€'000)	(%)	*(€'000)*	(%)
Germany	263,463	24%	241,678	21%
Italy	192,901	18%	228,715	20%
France	171,154	16%	190,660	17%
Central Europe	154,506	14%	166,934	15%
Spain	112,508	10%	111,700	10%
Benelux	65,620	6%	76,572	7%
Other Europe	67,011	6%	64,939	6%
Other	61,161	6%	46,199	4%
Total	**1,088,322**		**1,127,397**	

2.2 Profitability

Gross profit came to €239.4 million in the nine months to 30 September 2008, compared to €248.4 million in the year-earlier period. It was affected by the following factors:

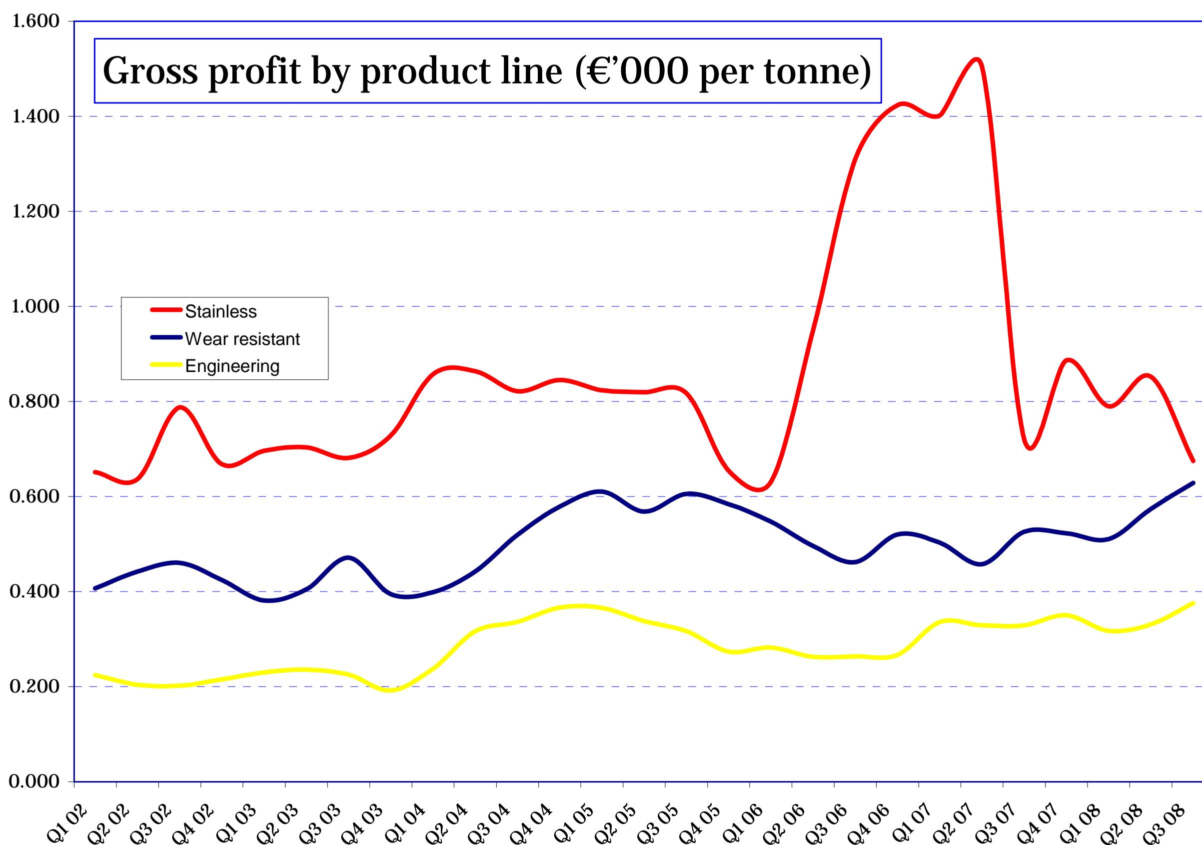
- windfall loss in stainless steels: this loss amounted to -€12.4 million at 30 September 2008, including -€6.3 million in the third quarter, and contrasted with a net windfall profit of +€10.3 million in the same period of 2007 (after €12 million depreciation on inventories registered during the third quarter of 2007);
- decrease of gross margin in the stainless steel welded tubes business: as in the first half, the lower gross margins seen in the first nine months of 2008 were due to continued strong competitive pressure from producers (particularly in decorative tubes), generating a shortfall of about -€3.9 million in gross profit compared to normalised sector levels;
- windfall profit in engineering and wear resistant steels: this windfall profit totalled +€4.0 million at 30 September 2008, including +€1.6 million in the second quarter and +€2.4 million in the third;
- the sale of slow-turnover products as scrap in April and May 2008 in order to capitalise on high scrap metal prices. This had a negative effect of -€1.5 million net of provision releases.

Restated for these non-recurring items and for the €2.1 million profit on the divestment of a warehouse in France reported in 2007, performance indicators for the first nine months of 2008 are presented as follows:

At 30 September, in millions of euros	2008 actual	2007 actual
Sales	1,127.4	1,088.3
Gross profit	239.4	248.4
Operating profit	**64.0**	**97.0**
Operating margin	*5.7%*	*8.9%*
<Windfall profit/loss>	-8.4	10.3
<Non-recurring items>	-5.4	2.1
Operating profit excluding non-recurring items	**77.8**	**84.6**
Operating margin excluding non-recurring items (% of normalised sales)	*6.8%*	*7.8%*

In analysing gross margins by product line, a clear distinction should be drawn between stainless steels, which were highly affected by falling nickel prices, and engineering and wear resistant steels, which were boosted by increases in scrap metal prices.

- Stainless: no windfall loss in the second quarter of 2008, as opposed to a loss of -€6.1 million in the first quarter. Gross profit per tonne was €675 in the third quarter of 2008, versus €790 and €852 respectively in the first and second quarters and €721 in the third quarter of 2007 (storage and distribution sales only, after reallocation of movements in provisions). Adjusted for a windfall loss of €194 per tonne, gross profit per tonne remained lower than the normalised level of €950, due to difficult conditions in the stainless steel welded tubes market.
- Engineering and wear resistant: the windfall profits realised in May and June in France, Spain and Italy continued from July through to September. Windfall profits in the third quarter of 2008 were estimated at €0.5 million for wear resistant steels and €1.9 million for engineering steels, versus €0.3 million and €1.3 million respectively in the second quarter. Gross profit per tonne in wear resistant was €629, versus €574 in the second quarter of 2008, €511 in the first quarter and €526 in the third quarter of 2007. Gross profit per tonne in engineering (including tool steels) was €390 in the third quarter of 2008, versus €341 in the second, €332 in the first and €341 in the third quarter of 2007.



Given the changes in scope of consolidation, and although their impact on sales and assets is lower than the 25% threshold, IMS presents below pro forma figures reflecting the following adjustments:

- 2008 income statement figures are translated using 2007 exchange rates for non-euro subsidiaries. They do not include the impact of the Astralloy divestment (sold at end June 2008).
- Relative to the published figures at 30 September 2007, the 2007 pro forma income statement data exclude Astralloy's activity in the third quarter of 2007 and include:
  - 5 months of activity at Cotubel (consolidated from 1 June 2007);
  - 6 months of activity at Brescia Acciai (fully consolidated from 1 July 2007);
  - 9 months of activity at Produr (consolidated from 1 October 2007);
  - 8 months of activity at Venturi;
  - 7.5 months of activity at Comacciai;
  - 5.5 months of activity at Antera;
  - 4 months of activity at ATR;
  - 3 months of activity at Euralliage;
  - 1 month of activity at EMS.
- Hoselmann's direct mill business sales are deducted from volumes distributed and sales.

At 30 September (in millions of euros)	2008 pro forma	2008 actual	2007 pro forma	2007 actual
Sales	1,122.6	1,127.4	1,174.3	1,088.3
Gross profit	239.6	239.4	273.4	248.4
Operating profit	64.0	64.0	106.1	97.0
Net profit	38.9	38.9	60.3	54.5

On a pro forma basis, operating costs per tonne rose by +2.8%:

(in thousands of euros)	30 Sept. 2007	30 Sept. 2008	Change
Total pro forma net operating expenses	**167,331**	**175,586**	**4.9%**
Pro forma tonnage sold	486,336	496,653	2.1%
Pro forma net operating expenses (€ per tonne)	344.1	353.5	2.8%
Personnel costs*	83,762	82,781	-1.2%
Leasing, depreciation, amortisation and maintenance	26,940	30,537	13.4%
Transport	23,135	27,173	17.5%
Consumables	9,417	10,968	16.5%
Fees	5,324	3,989	-25.1%
Disposal gains/losses	-2,095	-37	-98.2%
Other	20,848	20,175	-3.2%

* Personnel costs also include temporary employment expenses and other related costs.

The increase can be attributed to a sharp rise in the cost of transport and consumables (notably gas, electricity and fuel), partly offset by a fall in other operating expenses:

- transport costs per tonne rose by 15%, from €48 to €55, due to higher fuel prices;
- personnel costs were down relative to 2007 due to the lower cost of the bonus share programme (€1.2 million in 2008, €3.4 million in 2007) and lower performance-related pay (€5.9 million in 2008, €7.9 million in 2007), due to weaker performance in 2008;
- the cost of customer risk (credit insurance + bad debts + change in provisions) represented 0.13% of sales, down compared with 30 September 2007;
- fees were down sharply, after a number of special projects in 2007 (mainly related to aborted acquisition projects and IT-related projects).

The cost-cutting programme announced at 4 September 2008 (€2 million for the last 4 months of the year) had an estimated impact of €0.7 million in September.

Net financial expense rose from -€8.6 million at 30 September 2007 to -€9.9 million at 30 September 2008 due to higher average monthly debt levels, including factoring, which rose by 27% from €188.4 million at 30 September 2007 to €239.9 million one year later. The impact of rising interest rates on the Group's financial expense was entirely offset by the increase in value of interest-rate hedging products.

The Group's average tax rate fell substantially from 38.3% in 2007 to 28.0% in 2008. This decrease was due to:

- a total full-year tax rate of no more than 33% of pre-tax profit, as opposed to more than 35% in 2007;
- a €1.9 million tax credit, equal to around 3.5% of pre-tax profit.

The Group's net profit was €38.9 million at 30 September 2008, versus €54.5 million at 30 September 2007.

2.3 Consolidated financial position

IMS measures its financial performance through ROCE (return on capital employed) and free cash flow from operating activities. At 30 September 2008, ROCE came to 8.6% on a 12-month rolling basis, compared with 14.6% at 31 December 2007.

(in millions of euros)	31 December 2007	30 September 2008
Operating profit after normative tax [1]	71.5	52.2
Average capital employed [2]	490.4	608.7
ROCE	14.6%	8.6%
Normalised ROCE [3]	13.9%	10.1%

[1] 12-month rolling basis
[2] After adding back factoring
[3] Excluding windfall profits or losses

The above normalised ROCE is adjusted for the net windfall loss of €13.7 million before tax incurred between 1 October 2007 and 30 September 2007 (versus a windfall profit of €5 million for 2007).

The working capital requirement came to €435.6 million, up 21.7% compared to 31 December 2007 (€357.9 million), but only up 11.7% after adding back factoring of trade receivables.

(in millions of euros)	31 December 2007	30 September 2008	Change
Operating WCR	418.2	476.3	+13.9%
Other WCR (including tax)	-60.3	-40.7	
Consolidated WCR	357.9	435.6	+21.7%
Add back factoring	50.2	20.1	-59.9%
Adjusted WCR	408.1	455.7	+11.7%

On a like-for-like basis, i.e. adjusted for acquisitions, the changes in each component of the operating working capital requirement were as follows:

(in millions of euros)	31 Dec. 2007	30 Sept. 2008 l-f-l	Change
Inventories (net)	381.4	403.0	+5.7%
Trade receivables excluding factoring (net)	248.0	273.0	+10.1%
Trade payables	-211.2	-211.7	+0.2%
Consolidated operating WCR	418.2	464.3	+11.0%
Sales (last 12 months)	1,425.8	1,447.3	+1.5%
Consolidated operating WCR (%)	29.3%	32.1%	
Factoring of trade receivables	50.2	20.1	-60.0%
Consolidated operating WCR + factoring (%)	32.9%	33.5%	

On a like-for-like basis, inventories rose by 5.7% from €381.4 million to €403.1 million, reflecting:

- a 8.3% increase in inventory volumes from 219,890 tonnes at 31 December 2007 to 238,162 tonnes at 30 September 2008, whilst sales volumes on a 12-month rolling basis rose by 4.6% on a like-for-like basis during the period. At the end of September 2008, on a 12-month rolling basis, inventories represented 126 days of sales versus 122 days at 31 December 2007. This

temporary increase was mainly due to the higher contribution from Italy (where inventories are very high at the end of September) and the lower contribution from Germany where stainless inventories turn over more quickly due to the pooling of slow-turnover products;

- a 3.7% decrease in the weighted average cost, from €1,803 per tonne at 31 December 2007 to €1,737 at 30 September 2008, resulting from falling stainless steel prices partially offset by rising engineering and wear resistant steel prices.

Trade receivables (including factoring) represented 74.7 days of sales at 30 September 2008 versus 69.6 days at 30 June 2008, 67 days at 31 March 2008 and 64 days in 2007. This gradual increase is due to the country mix, with strong growth in Italian sales and a decline in German business due to falling stainless steel prices. Trade receivables are mostly covered by credit insurance taken out by Group companies.

Trade payables represented 69.7 days of purchases at 30 September 2008 versus 66 days at 30 June 2008 and 58 days at 31 March 2008.

Overall, and on a like-for-like basis, operating WCR (after adding back factoring) represented 120 days of sales at 30 September 2008, compared to 113 days at 30 June 2008, 117 days at 31 March 2008 and 118 days at 31 December 2007. Operating WCR is typically higher at 30 September as business levels are low in Southern Europe during August. It should move back more in line with historical averages at the end of 2008.

Total shareholders' equity amounted to €348.6 million, up €15.7 million relative to 31 December 2007.

Financial net debt (after adding back factoring) amounted to €269.7 million at 30 September 2008. Cash flow in the first nine months of 2007 and 2008 broke down as follows:

At 30 September (in millions of euros)	2007	2008
Consolidated financial net debt (opening balance)	94.7	168.2
Factoring (opening balance)	17.9	50.2
Net cash flow from operations	-63.0	-51.7
Change in WCR and tax	60.5	61.7
Change in factoring	16.0	-30.1
Gross capital expenditure	13.2	15.6
Gross financial investments	84.8	39.6
Dividends	14.4	19.2
Other movements	-3.1	-3.0
Consolidated financial net debt (closing balance)	201.5	249.6
Factoring (closing balance)	33.9	20.1
Financial net debt + factoring	235.4	269.7
Shareholders' equity	323.0	348.6
Gearing for bank covenant purposes	72.9%	77.6%

The Group's bank covenants are tested at 30 June and 31 December each year.
At 30 September 2008, the Group's debt broke down as follows:

- €20 million in finance leases;
- €20 million in factoring (confirmed), a revolving financing facility;
- €109 million drawn on a syndicated loan (and equivalents), which amounted to €130 million at inception. This loan comprises a repayment tranche of €40 million at inception, with annual repayments of €8 million, giving a residual balance of €32 million at 30 September 2008, a €60

million bullet tranche and a €30 million interest-only tranche. The loan matures in February 2012;

- €121 million in partially confirmed revolving bilateral credit lines (including discounting facilities), granted to the Group's local companies by their main bankers.

IMS has total authorised credit facilities of €440 million. The average term of its confirmed credit lines (50% of the total) is between 3 and 4 years.

Debt is split equally between fixed rate and variable rate.

2.4 Cash flow

After adding back factoring to the working capital requirement, the IMS Group generated free cash flow of €7.2 million in the first nine months of 2008, whilst €15.5 million was used to finance its operating activities in the same period of 2007.

Free cash flow at 30 June 2008, calculated on the same basis, amounted to €37.1 million. €30 million were therefore used to finance operating activities in the third quarter of 2008. This was due to a temporary increase in inventory volumes during the quarter, as well as the payment of corporate income tax in third quarter.

At 30 September 2008, financial investments of €39.6 million included acquisitions made in 2008, as well as some deferred payments on 2007 acquisitions. The sale proceeds from Astralloy Steel Products Inc. are included in the "Financial divestments" item of the table below.

Free cash flow (in thousands of euros)	30 September 2007	30 September 2008
Operating profit	96,969	63,960
Tax on operating profit	-33,939	-21,107
Depreciation and amortisation	8,441	11,502
Change in WCR	-80,318	-41,935
Change in factoring	-15,972	30,051
Change in tax liabilities	19,864	-19,787
Net capital expenditure	-10,522	-15,480
Free cash flow	**-15,477**	**7,204**
Financial investments	-84,840	-39,615
Financial divestments	1,415	12,037
Excess cash flow	**-98,902**	**-20,374**

(1) Net capital expenditure includes new finance lease agreements
(2) Financial investments include the debt of the acquired companies

2.5 Outlook

- **2008 consolidated operating profit target: €72 million**

The fourth quarter will likely show an inventory rundown in the engineering market (distributors and end customers), faced with prospects of a contraction in activity.

Thanks to its robust business model and broad customer spread, IMS should be able to contain the decline in volumes distributed to 10% in the fourth quarter of 2008 compared to the same period of 2007. With about 670,000 tonnes distributed in 2008 versus 650,000 tonnes in 2007, IMS expects to report a normalised operating profit of €88 million, before an estimated windfall loss of €16 million.

Furthermore, IMS aims to reduce its debt to €215 million by the year end due to a decrease in average prices and inventory volumes.

- **2009 outlook: adapting to a difficult environment**

IMS has a number of strengths, primarily its high local market shares, which should enable it to outperform its markets in decline compared to 2008. In 2009, IMS will capitalise on its robust multi-line distributor model aimed at all industrial operators.

IMS will focus first on optimising its operating performance by adapting its organisation and cost structures to this new environment, and by reducing its working capital requirement and debt.

II. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Consolidated income statement

(in thousands of euros)	30/09/2007	30/09/2008	Change	Q3 2007	Q3 2008	Change
Sales	1,088,323	1,127,397	3.6%	340,258	336,449	-1.1%
Income from ordinary activities	**1,088,323**	**1,127,397**	**3.6%**	**340,258**	**336,449**	**-1.1%**
Purchases	(893,769)	(907,328)	-1.5%	(253,933)	(288,758)	-13.7%
Net change in inventories	53,831	19,341	ns	(26,264)	24,032	191.5%
Gross profit	**248,385**	**239,410**	**-3.6%**	**60,061**	**71,723**	**19.4%**
Other operating income and releases from provisions	**6,249**	**3,755**	**-39.9%**	**930**	**547**	**-41.2%**
Personnel costs	(72,584)	(77,741)	-7.1%	(22,253)	(23,622)	-6.2%
Additions to depreciation and amortisation	(8,441)	(11,502)	-36.3%	(2,782)	(3,954)	-42.1%
Additions to provisions	(3,602)	(3,018)	16.2%	(796)	(864)	-8.5%
Other expenses	(73,038)	(86,944)	-19.0%	(24,861)	(26,540)	-6.8%
Total expenses	**(157,665)**	**(179,205)**	**-13.7%**	**(50,692)**	**(54,980)**	**-8.5%**
Operating profit	**96,969**	**63,960**	**-34.0%**	**10,299**	**17,290**	**67.9%**
Net financial expenses	(8,589)	(9,916)	-15.4%	(4,363)	(5,077)	-16.4%
Share in the net profit of equity-accounted companies	7					
Profit before tax	**88,387**	**54,044**	**-38.9%**	**5,936**	**12,213**	**105.7%**
Tax	(33,855)	(15,135)	55.3%	(3,228)	(3,711)	-15.0%
Net profit from continuing ordinary operations	**54,532**	**38,909**	**-28.6%**	**2,708**	**8,502**	**214.0%**
Profit from discontinued operations						
Net profit of the consolidated group	**54,532**	**38,909**	**-28.6%**	**2,708**	**8,502**	**214.0%**
attributable to equity holders of the parent	54,532	38,909	-28.6%	2,708	8,502	214.0%
attributable to minority interests						

Net attributable profit per share issued (in euros)	3.02	2.15	-28.6%	0.15	0.47	214.0%
Net attributable profit per share excluding treasury shares (in euros)	3.11	2.27	-26.9%	0.15	0.50	222.1%

Consolidated balance sheet

(in thousands of euros)	30 September 2008			31 Dec. 2008
	Gross	Dep./ prov.	Net	Net
ASSETS				
Goodwill	96,915		96,915	83,932
Intangible fixed assets	15,588	10,877	4,711	5,670
Tangible fixed assets	187,476	99,663	87,813	75,915
Equity investments	52		52	45
Assets available for sale	50		50	50
Other long-term assets	5,008	176	4,832	5,008
Deferred tax assets	6,965		6,965	7,836
Total non-current assets	**312,054**	**110,716**	**201,338**	**178,456**
Inventories	427,432	11,382	416,050	381,453
Trade receivables	286,466	8,678	277,788	248,037
Other receivables	10,888		10,888	12,277
Corporate income tax due from tax authorities	1,723		1,723	1,846
Derivative instruments	1,278		1,278	536
Embedded interest-rate derivatives				
Cash and cash equivalents	17,452		17,452	23,377
Total current assets	**745,239**	**20,060**	**725,179**	**667,526**
Assets held for sale				
Total assets	**1,057,293**	**130,776**	**926,517**	**845,982**
LIABILITIES AND SHAREHOLDERS' EQUITY				
SHAREHOLDERS' EQUITY				
Share capital			27,528	27,528
Consolidated reserves			278,702	240,815
Foreign exchange translation differences			3,464	833
Net profit			38,909	63,694
Minority interests				
Total shareholders' equity			**348,603**	**332,870**
Interest-bearing non-current liabilities			88,982	81,287
Deferred tax liabilities			9,566	7,647
Provisions for contingencies			1,396	1,289
Pension provisions			26,507	23,840
Other non-current liabilities			211	216
Total non-current liabilities			**126,662**	**114,279**
Trade payables			217,525	211,249
Other payables			45,736	46,284
Corporate income tax due			7,575	28,159
Interest-bearing current liabilities			178,043	110,021
Derivative instruments				256
Embedded interest-rate derivatives			825	766
Current provisions for contingencies			1,548	2,098
Total current liabilities			**451,252**	**398,833**
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE				
Total liabilities and equity			**926,517**	**845,982**

Consolidated cash flow statement

(in thousands of euros)	30/09/2007	30/09/2008
Net cash at start of period		
Cash and cash equivalents	**24,235**	**23,377**
Accrued interest	(34)	
Cash & cash equivalents adjusted for accrued interest	**24,201**	**23,377**
Operating activities		
Net profit	54,532	38,909
Depreciation and amortisation expenses	8,441	11,502
Change in provisions	(1,265)	799
Other items	3,357	1,231
Gain (losses) on asset disposals	(2,083)	(757)
Cash flow from operations after tax and cost of debt	**62,982**	**51,684**
Cost of debt	8,712	12,048
Taxes	35,398	14,577
Cash flow from operations before tax and cost of debt	**107,092**	**78,309**
Total change in WCR	(80,318)	(41,935)
Cash flow from operating activities before tax and financial expense	**26,774**	**36,374**
Income tax paid	(15,534)	(34,364)
Cash flow from operating activities after tax and before financial expense	**11,240**	**2,010**
Investing activities		
Investments in intangible and tangible assets (excluding finance leases)	(12,718)	(14,929)
Divestments of intangible and tangible assets	2,721	107
Financial investments	(55,220)	(33,523)
Net cash of companies acquired or reclassified under IFRS 5	839	1,145
Net gain on divestment of shares in consolidated companies, net of cash		10,981
Other financial divestments	1,415	1,056
Cash flow from investing activities	**(62,963)**	**(35,163)**
Financing activities		
Capital increase		
Treasury stock	(354)	(7,858)
Dividends paid	(14,400)	(19,180)
New medium- and long-term borrowings (excluding finance leases)	79,871	16,752
Repayment of medium- and long-term borrowings (excluding finance leases)	(44,901)	(9,381)
Repayment of finance leases	(1,943)	(1,266)
Change in other financial debt	(509)	(5)
Change in short-term debt	36,139	59,601
Assets available for sale	750	
Net interest expenses paid	(8,686)	(11,513)
Other		
Cash flow from financing activities	**45,967**	**27,150**
Change in cash position	**(5,756)**	**(6,003)**
Foreign exchange translation differences	(245)	78
Net cash at end of period	**18,200**	**17,452**
Cash and cash equivalents	**18,208**	**17,452**
Accrued interest	(8)	
Cash and cash equivalents adjusted for accrued interest	**18,200**	**17,452**

Statement of changes in debt

(in thousands of euros)	30/09/2007	30/09/2008
Net debt at start of period		
Cash and cash equivalents	(24,235)	(23,377)
Assets available for sale	(51)	(50)
Derivative instruments	(268)	766
Interest-bearing current liabilities	69,129	110,021
Interest-bearing non-current liabilities	50,115	81,287
adjusted for accrued interest (assets and liabilities)	34	(484)
Total	**94,724**	**168,163**
Operating activities		
Net profit	54,532	38,909
Depreciation and amortisation	8,441	11,502
Change in provisions	(1,265)	799
Other items	3,357	1,231
Gain (losses) on asset disposals	(2,083)	(757)
Funds from operations after tax and cost of debt	**62,982**	**51,684**
Cost of debt	8,712	12,048
Tax	35,398	14,577
Funds from operations before tax and cost of debt	**107,092**	**78,309**
Change in operating WCR	(91,412)	(43,000)
Change in other WCR items	11,094	1,065
Total change in WCR	**(80,318)**	**(41,935)**
Cash flow from operating activities before tax and financial expenses	**26,774**	**36,374**
Income tax paid	(15,534)	(34,364)
Cash flow from operating activities after tax and before financial expense	**11,240**	**2,010**
Investing activities		
Investments in intangible and tangible assets (excluding finance leases)	(12,718)	(14,929)
Divestments of intangible and tangible assets	2,721	107
Financial investments	(55,220)	(33,523)
Debt of companies acquired or reclassified under IFRS 5	(29,620)	(6,092)
Net gain on divestment of shares in consolidated companies, net of cash		10,981
Other financial divestments	1,415	1,056
Cash flow from investing activities	**(93,422)**	**(42,400)**
Financing activities		
Capital increase		
Treasury stock	(354)	(7,858)
Dividends paid	(14,400)	(19,180)
New finance leases	(525)	(658)
Net interest expenses paid	(8,686)	(11,513)
Other	(509)	(260)
Cash flow from financing activities	**(24,474)**	**(39,469)**
Change in debt	106,656	79,859
Foreign exchange translation differences	71	1,563
Net debt at end of period	201,451	249,585
Cash and cash equivalents	(18,208)	(17,452)
Assets available for sale	(801)	(50)
Embedded interest-rate derivatives	(383)	825
Interest-bearing current liabilities	137,572	178,043
Interest-bearing non-current liabilities	83,263	88,982
adjusted for accrued interest (assets and liabilities)	8	(763)
Total	201,451	249,585

Consolidated statement of changes in shareholders' equity

(in thousands of euros)	Shareholders' equity	Share capital	Issue premium	Treasury stock	Attributable foreign exchange translation differences	Attributable cumulative results	Attributable total	Minority interests
At 1 January 2007	279,884	27,528	28,287	(6,141)	1,563	228,647	279,884	
Dividends paid	(14,400)					(14,400)	(14,400)	
Net profit for the period	54,532					54,506	54,506	26
Foreign exchange translation differences	(749)				(749)		(749)	
Treasury stock	(354)			(354)			(354)	
Bonus share issue	3,364					3,364	3,364	
Change in scope of consolidation	772					(7)	(7)	779
Net change over the period	***43,165***			***(354)***	***(749)***	***43,463***	***42,360***	***805***
At 30 September 2007	323,049	27,528	28,287	(6,495)	814	272,110	322,244	805
At 1 January 2008	332,870	27,528	28,287	(7,111)	833	283,333	332,870	
Dividends paid	(19,180)					(19,180)	(19,180)	
Net profit for the period	38,909					38,909	38,909	
Foreign exchange translation differences	2,631				2,631		2,631	
Treasury stock	(7,858)			(7,858)			(7,858)	
Bonus share issue	1,231					1,231	1,231	
Net change over the period	***15,733***			***(7,858)***	***2,631***	***20,960***	***15,733***	
At 30 September 2008	348,603	27,528	28,287	(14,969)	3,464	304,293	348,603	

1. ACCOUNTING POLICIES

In accordance with European regulation 1606/2002 of 19 July 2002 on international standards, the IMS Group's condensed consolidated financial statements comply with the IAS/IFRS standards as approved by the European Union and available at http://ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission.

The accounting policies applied for the nine months ended 30 September 2008 are identical to those applied to the 2007 full-year IFRS financial statements.

The condensed interim financial statements have been drawn up in accordance with IAS 34.

New texts or amendments adopted by the European Union since 1 January 2008 (IFRIC 11 -- Group and Treasury Share Transactions) do not have any material effect on the consolidated financial statements at 30 September 2008.

The Group did not carry out early application of non-mandatory standards or interpretations from 1 January 2008, such as IAS 1 (Presentation of Financial Statements - capital management), IAS 23 (Borrowing Costs), IFRS 8 (Operating Segments), IFRIC 13 (Customer Loyalty Programmes), IFRS 3 as amended (Business Combinations), IAS 27 as amended (Consolidated and Separate Financial Statements), IFRS 2 as amended (Share-based Payment, purchase and cancellation terms) and IAS 32 as amended (Financial Instruments: Presentation - puttable instruments).

The Group is in the process of determining any potential impact on the Group's consolidated financial statements, but does not expect any material impact on its consolidated financial statements at this stage of the analysis.

The Group's consolidated financial statements were prepared using the historical cost principle, except for financial derivative instruments and assets available-for-sale, which were assessed at their fair value. The book value of assets and liabilities which are hedged against their fair value is adjusted to take account of changes in fair value attributable to the hedged risks.

The preparation of financial statements implies that the management of the Group or its subsidiaries make estimates and use assumptions that affect the amounts of asset and liability items included in the consolidated balance sheet, as well as the information relating to any contingent assets and liabilities on the date this financial information was prepared and the amounts disclosed as income and expenses of the period.

Management regularly reviews these estimates and appraisals based on past experience and various other factors that are deemed to be reasonable. These estimates constitute the basis for its assessments of the book value of assets and liabilities. Actual results may differ substantially from these estimates based on different assumptions or conditions.

2. PARTICULARITIES OF PREPARING INTERIM FINANCIAL STATEMENTS

The condensed consolidated financial statements for the first nine months of 2008 were prepared on the basis of rules used for full-year 2007, with the following exception concerning income tax: in the interim financial statements, current and deferred tax charges are calculated by applying the average annual tax rate estimated for the current tax year for each entity or tax group to the accounting result before tax for the period.

3. SCOPE OF CONSOLIDATION

IMS' ongoing growth policy led to the following changes in the scope of consolidation:

- In January 2008, IMS, through its Italian company IMS SpA and in accordance with the purchase undertaking recognised in the financial statements at 31 December 2007, acquired 50% of the shares of Brescia Acciai, which it now wholly owns.
- In February 2008, again through IMS SpA, IMS acquired tool steels distributor Comacciai, along with Venturi, which specialises in wear resistant products. The goodwill arising on these two acquisitions totalled €2.7 million and €1.8 million respectively.
- IMS SpA set up a company in Turkey, which is not yet operational.
- In April 2008, through its German subsidiary Stappert, the IMS Group acquired Lithuanian company Antera UAB, a leader in the Lithuanian stainless steel distribution market, along with its Latvian subsidiary Antera LAT. The transaction resulted in provisional goodwill of €3.3 million.
- In late May 2008, IMS' French subsidiary IMS France acquired ATR, which specialises in boiler tubes. Provisional goodwill relating to this acquisition totalled €0.9 million.
- On 1 July 2008, IMS France also acquired Les Non-Ferreux, the holding company of Euralliage, a non-ferrous metals distributor. Then, on 3 September, it acquired EMS. The provisional goodwill arising on these acquisitions amounted to €3.2 million and €0.6 million respectively.

IMS sold its US subsidiary Astralloy in late June 2008. Given the disposal date, IMS' interim financial statements include six months of activity at Astralloy. The disposal gain, after selling expenses and translation differences, amounted to €0.3 million.

IMS also carried out internal restructuring in the first nine months of 2008:

- Noxon sold Asadin to Stappert, after which Stappert and Asadin merged;
- IMS SpA and Comacciai merged;
- IMS SpA and Brescia Acciai merged.

These operations had no impact on the financial statements at 30 September 2008.

A simplified income statement is presented below.

The 2008 pro forma income statement is calculated using September 2007 exchange rates and excludes the effect of the Astralloy divestment. Relative to the 2007 published figures, the pro forma figures for the first nine months of 2007 exclude Astralloy's third quarter business (sold at end June 2008) and include:

- 6 months of activity at Brescia Acciai (fully consolidated from July 2007);
- 5 months of activity at Cotubel (consolidated from 1 June 2007);
- 8 months of activity at Venturi (acquired in February 2008);
- 7.5 months of activity at Comacciai (acquired in mid-February 2008);
- 9 months of activity at Produr (consolidated from 1 September 2007);
- 4 months of activity at ATR (consolidated from 1 June 2008);
- 5.5 months of activity at the Antera companies (acquired in mid-April 2008);
- 3 months of activity at Euralliage (consolidated from 1 July 2008);
- 1 month of activity at EMS (consolidated from 1 September 2008).

in millions of euros (at 30 September)	2008 pro forma	2008 actual	2007 pro forma	2007 actual
Sales	1,122.6	1,127.4	1,174.3	1,088.3
Gross profit	239.6	239.4	273.4	248.4
Operating profit	64.0	64.0	106.1	97.0
Net profit from continuing ordinary operations	38.9	38.9	60.3	54.5

- The main indicators of the new companies, had they been acquired on 1 January 2008, would have been as follows (in millions of euros):

	Sales	Gross profit
Comacciai	4.7	1.5
Centuri	8.0	3.4
ATR	3.9	1.1
Antera UAB	5.4	0.4
Euralliage	6.6	2.3
EMS	9.8	1.9

- The balance sheet impact of changes in the scope of consolidation relative to 31 December 2007 results from the consolidation of Venturi, Comacciai, Antera and ATR and the divestment of Astralloy. It is summarised in the table below:

in millions of euros	**Actual 30 Sept. 2008**	**Acquisitions**	**Disposals**	**30 Sept. 2008 restated**
Goodwill	96.9	-12.6	0.2	84.5
Intangible and tangible fixed assets	92.5	-6.7	1.1	86.9
Other non-current assets	11.9	-0.5	0.2	11.6
Non-current assets	**201.3**	**-19.8**	**1.5**	**183.0**
Inventories	416.0	-18.1	5.1	403.0
Trade receivables	277.8	-8.6	3.8	273.0
Other receivables	12.6	-0.9	0.3	12.0
Derivative instruments	1.3			1.3
Cash and cash equivalents	17.5	-3.0	0.8	15.3
Current assets	**725.2**	**-30.6**	**10.0**	**704.6**
TOTAL ASSETS	**926.5**	**-50.4**	**11.5**	**887.6**
Shareholders' equity	**348.6**	**+1.0**	**-2.8**	**346.8**
Non-current interest bearing liabilities	89.0	-0.7		88.3
Other non-current liabilities	37.7	-2.3	0.1	35.5
Non-current liabilities	**126.7**	**-3.0**	**0.1**	**123.8**
Trade payables	217.5	-7.4	1.6	211.7
Other payables	53.3	-7.0	0.8	47.1
Current interest bearing liabilities	178.0	-34.0	11.8	155.8
Current derivative instruments and provisions	2.4			2.4
Current liabilities	**451.2**	**-48.4**	**14.2**	**417.0**
TOTAL LIABILITIES AND EQUITY	**926.5**	**-50.4**	**11.5**	**887.6**

4. GOODWILL

Changes in goodwill since 31 December 2007 are as follows (in millions of euros):

Net value at 1 January 2008	83.9
Goodwill adjustment on Cotubel	0.3
Goodwill on Comacciai (*)	2.7
Goodwill on Venturi (*)	1.8
Goodwill on Antera (*)	3.3
Goodwill on ATR (*)	0.9
Goodwill on Euralliage (*)	3.2
Goodwill on EMS (*)	0.6
Disposal of Astralloy	-0.2
Foreign exchange translation differences	0.4
Net value at 30 September 2008	**96.9**

(*) The goodwill on these new companies is based on an initial assessment of the required IFRS adjustments, identified on a preliminary basis.

5. OFF-BALANCE SHEET COMMITMENTS

IMS has set up factoring programmes. At 30 September 2008, €20.1 million of trade receivables in Germany and France had been factored and had therefore moved off-balance sheet since the programmes comply with IFRS rules for derecognition.

6. EARNINGS PER SHARE

There are two earnings per share figures:

- Based on total shares in issue: using the total number of shares making up IMS International Metal Service's capital, i.e. 18,057,010, as the denominator;
- Based on total shares in issue excluding treasury stock: using the total number of shares (18,057,010) minus the number of shares held as treasury stock (941,184), as the denominator.

7. SEGMENT REPORTING

The breakdown of revenue and operating profit by geographical segment is as follows:

30 Sept. 2008	Revenue from ordinary activities			Segment operating profit
(in thousands of euros)	Total sales by region	Inter-regional sales	Sales to external customers	
Germany	320,301	-31,687	288,614	18,795
France	213,027	-3,573	209,454	9,321
Italy	247,717	-4,100	243,617	15,681
Spain	116,442	-4,503	111,939	13,453
Rest of the world	298,696	-24,923	273,773	3,629
IMS SA				-938
Intra-group sales	-68,786	68,786		4,019
Total	**1,127,397**		**1,127,397**	**63,960**

30 Sept. 2007 (thousands of euros)	Revenue from ordinary activities			Segment operating profit
	Total sales by region	Inter-regional sales	Sales to external customers	
Germany	355,569	-41,244	314,325	45,644
France	180,391	-3,971	176,420	12,136
Italy	213,660	-5,762	207,898	17,738
Spain	115,920	-3,543	112,377	16,689
Rest of the world	297,077	-9,774	277,303	19,703
IMS SA				-1,088
Intra-group sales	-74,294	74,294		-13,853
Total	**1,088,323**		**1,088,323**	**96,969**

8. Information on related parties

The only relevant related parties are members of the Executive Committee and Supervisory Board.

As in 2007, relations between the Group and these parties were limited to remuneration paid to and regulated agreements with Jean-Yves Bouffault, Pierre-Yves Le Daëron and Philippe Brun governing the terms applicable in the event of their dismissal.

9. Cash flow statement

The change in the working capital requirement broke down as follows at 30 September 2008 (in millions of euros):

Inventories	-19.3
Trade receivables	-25.2
Other receivables	+2.1
Trade payables	+1.5
Other payables	-1.0
Total change	**-41.9**

€19.2 million of dividends were distributed.

10. Post-balance sheet events

No material event took place after the balance sheet date.

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Société anonyme (public limited company)
governed by an Executive Committee
and a Supervisory Board
with capital of €27,527,740.73
RCS Nanterre B 311 361 489